

14 DEC 1948

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GENERAL

1. Indonesian Republic's position on renewal of negotiations--US 5-5  
Representative Cochran in Batavia transmits a letter he has received from Prime Minister Hatta, which outlines in detail the present Republican position. Hatta's letter indicates that the Republic accepts without qualification the principles of the Renville Agreement and emphasizes that the Republic recognizes the Netherlands' sovereignty in Indonesia during the interim period. The letter specifies various concessions which the Republic is prepared to make and asks that the Netherlands voluntarily impose limitations, to be clearly defined in an agreement, on the exercise of its sovereign power. Cochran considers that this letter merits careful consideration and expresses the hope that the Netherlands Government will not only take cognizance of this reasonable approach but will agree to the renewal of negotiations and the postponement of the establishment of an interim government.

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2. CHINA: Possible retirement of Chiang Kai-shek-- [redacted] NAVY-TS  
[redacted] has told the [redacted] in Nanking that Chiang Kai-shek is considering the possibility of "stepping-down." According to [redacted] suspects that 25X1  
Chiang may merely be attempting to forestall the development of a coup which would force him from power. Li reportedly plans to avoid being forced to accompany Chiang if the Generalissimo withdraws from Nanking without turning power over to Li

Li [redacted] on becoming head of the National Government he plans to: (a) cease military operations and open peace negotiations; (b) call a conference of people's representatives to draw up a "realistic platform"; (c) discharge corrupt officials; (d) request publicly that US economic and industrial aid be distributed equitably regardless of previous political and military affiliations; and (e) move the capital to Peiping.

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- 1 NO CHANGE in Class. ☐

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(CIA Comment: CIA believes that decisive political developments, possibly involving the retirement or flight of Chiang Kai-shek, can now be expected at any time. A successor government under Vice President Li would find it difficult to carry out a program of its own; such a government's attempts to negotiate a settlement with the Communists would lead, sooner or later, to the establishment of a Communist-controlled coalition government for China.)

#### ~~THE AMERICAS~~

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3. **COSTA RICA:** Possible counter-invasion of Nicaragua--US NAVY -5  
Ambassador Shaw in Managua has transmitted a detailed report which indicates that the recent invasion of Costa Rica has had both "moral and material assistance" from Dictator Somoza of Nicaragua.

[redacted] been told by a high Costa Rican official that all forces in Costa Rica, including the Caribbean Legion, will combine to attempt a counter-invasion of Nicaragua if they are otherwise unable to dispel the revolutionary forces now invading Costa Rica.

(CIA Comment: Unless the present disturbances in Costa Rica are quickly suppressed, inter-governmental relationships in the area will rapidly deteriorate to the point where violence and bloodshed become generalized. In such an event, US lives and property, especially at points adjacent to airports, will be endangered.)

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4. **GUATEMALA:** Possible 18 December coup d'etat-- [redacted] CIA-5  
[redacted] that the chief of the Guatemalan armed forces has approved a plan for an army coup during the week ending 18 December.

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